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(Original Signature of Member)

117TH CONGRESS
1ST SESSION

H. R. _____

To amend the Internal Revenue Code of 1986 to make the child tax credit fully refundable, establish an increased child tax credit for young children, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

Ms. DELAURO (for herself, Ms. DELBENE, and [see ATTACHED LIST of co-sponsors]) introduced the following bill; which was referred to the Committee on _____

A BILL

To amend the Internal Revenue Code of 1986 to make the child tax credit fully refundable, establish an increased child tax credit for young children, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “American Family Act
5 of 2021”.

1 **SEC. 2. ESTABLISHMENT OF FULLY REFUNDABLE CHILD**
2 **TAX CREDIT.**

3 (a) ELIMINATION OF EXISTING CHILD TAX CRED-
4 IT.—Subpart A of part IV of subchapter A of chapter 1
5 of subtitle A of the Internal Revenue Code of 1986 is
6 amended by striking section 24.

7 (b) ESTABLISHMENT OF FULLY REFUNDABLE
8 CHILD TAX CREDIT.—Subpart C of part IV of subchapter
9 A of chapter 1 of subtitle A of such Code is amended by
10 inserting after section 36B the following new section:

11 **“SEC. 36C. CHILD TAX CREDIT.**

12 “(a) ALLOWANCE OF CREDIT.—In the case of an eli-
13 gible individual, there shall be allowed as a credit against
14 the tax imposed by this chapter for the taxable year an
15 amount equal to the sum of—

16 “(1) with respect to each qualifying child of the
17 taxpayer who has attained 6 years of age before the
18 close of such taxable year and for which the tax-
19 payer is allowed a deduction under section 151, an
20 amount equal to \$3,000, and

21 “(2) with respect to each qualifying child of the
22 taxpayer who has not attained 6 years of age before
23 the close of such taxable year and for which the tax-
24 payer is allowed a deduction under section 151, an
25 amount equal to 120 percent of the dollar amount
26 in paragraph (1).

1 “(b) LIMITATION.—

2 “(1) IN GENERAL.—The amount of the credit
3 allowable under subsection (a) shall be reduced (but
4 not below zero) by the applicable amount for each
5 \$1,000 (or fraction thereof) by which the taxpayer’s
6 modified adjusted gross income exceeds the thresh-
7 old amount. For purposes of the preceding sentence,
8 the term ‘modified adjusted gross income’ means ad-
9 justed gross income increased by any amount ex-
10 cluded from gross income under section 911, 931, or
11 933.

12 “(2) THRESHOLD AMOUNT.—

13 “(A) IN GENERAL.—For purposes of para-
14 graph (1), the term ‘threshold amount’
15 means—

16 “(i) \$180,000 in the case of a joint
17 return,

18 “(ii) \$130,000 in the case of an indi-
19 vidual who is not married, and

20 “(iii) \$90,000 in the case of a married
21 individual filing a separate return.

22 “(B) MARITAL STATUS.—For purposes of
23 this paragraph, marital status shall be deter-
24 mined under section 7703.

1 “(3) APPLICABLE AMOUNT.—For purposes of
2 paragraph (1), the term ‘applicable amount’ means
3 an amount equal to the quotient of—

4 “(A) the amount of the credit allowable
5 under subsection (a), as determined without re-
6 gard to this subsection, divided by

7 “(B) an amount equal to the product of—

8 “(i) \$20, multiplied by

9 “(ii) the total number of qualifying
10 children of the taxpayer.

11 “(c) QUALIFYING CHILD.—For purposes of this sec-
12 tion—

13 “(1) IN GENERAL.—The term ‘qualifying child’
14 means a qualifying child of the taxpayer (as defined
15 in section 152(c)) who has not attained 18 years of
16 age.

17 “(2) EXCEPTION FOR CERTAIN NON-CITI-
18 ZENS.—The term ‘qualifying child’ shall not include
19 any individual who would not be a dependent if sub-
20 paragraph (A) of section 152(b)(3) were applied
21 without regard to all that follows ‘resident of the
22 United States’.

23 “(d) ELIGIBLE INDIVIDUAL.—For purposes of this
24 section, the term ‘eligible individual’ means, with respect
25 to any taxable year, any individual if such individual’s

1 principal place of abode is in the United States (as deter-
2 mined under section 32(c)(4)) for more than one-half of
3 such taxable year.

4 “(e) INFLATION ADJUSTMENT.—

5 “(1) IN GENERAL.—In the case of any taxable
6 year beginning after 2021, the \$3,000 amount in
7 subsection (a)(1) shall be increased by an amount
8 equal to—

9 “(A) such dollar amount, multiplied by

10 “(B) the cost-of-living adjustment deter-
11 mined under paragraph (2) for the calendar
12 year in which the taxable year begins.

13 “(2) COST-OF-LIVING ADJUSTMENT.—For pur-
14 poses of paragraph (1), the cost-of-living adjustment
15 for any calendar year is the percentage (if any) by
16 which—

17 “(A) the CPI for the preceding calendar
18 year (as determined pursuant to section
19 1(f)(4)), exceeds

20 “(B) the CPI for calendar year 2020.

21 “(3) ROUNDING.—If any increase determined
22 under paragraph (1) is not a multiple of \$50, such
23 increase shall be rounded to the nearest multiple of
24 \$50.

1 “(f) PARTIAL NON-REFUNDABLE CREDIT ALLOWED
2 FOR CERTAIN OTHER DEPENDENTS.—

3 “(1) IN GENERAL.—In the case of a taxable
4 year beginning after December 31, 2020, and before
5 January 1, 2026, the aggregate credits allowed to a
6 taxpayer under subpart A shall be increased by \$500
7 for each dependent of the taxpayer (as defined in
8 section 152) other than a qualifying child described
9 in subsection (c). The amount of the credit allowed
10 under this subsection shall not be treated as a credit
11 allowed under this subpart.

12 “(2) EXCEPTION FOR CERTAIN NONCITIZENS.—
13 Paragraph (1) shall not apply with respect to any
14 individual who would not be a dependent if subpara-
15 graph (A) of section 152(b)(3) were applied without
16 regard to all that follows ‘resident of the United
17 States’.

18 “(3) LIMITATION.—

19 “(A) IN GENERAL.—The amount of the
20 credit allowable under paragraph (1) shall be
21 reduced (but not below zero) by \$50 for each
22 \$1,000 (or fraction thereof) by which the tax-
23 payer’s modified adjusted gross income exceeds
24 the threshold amount.

1 “(B) MODIFIED ADJUSTED GROSS IN-
2 COME.—For purposes of subparagraph (A), the
3 term ‘modified adjusted gross income’ means
4 adjusted gross income increased by any amount
5 excluded from gross income under section 911,
6 931, or 933.

7 “(C) THRESHOLD AMOUNT.—

8 “(i) IN GENERAL.—For purposes of
9 subparagraph (A), the term ‘threshold
10 amount’ means—

11 “(I) \$200,000 in the case of a
12 joint return,

13 “(II) \$150,000 in the case of an
14 individual who is not married, and

15 “(III) \$100,000 in the case of a
16 married individual filing a separate
17 return.

18 “(ii) MARITAL STATUS.—For pur-
19 poses of this subparagraph, marital status
20 shall be determined under section 7703.

21 “(g) IDENTIFICATION REQUIREMENTS.—

22 “(1) QUALIFYING CHILD AND DEPENDENT
23 IDENTIFICATION REQUIREMENT.—No credit shall be
24 allowed under this section to a taxpayer with respect
25 to any qualifying child or dependent unless the tax-

1 payer includes the name and taxpayer identification
2 number of such qualifying child or dependent on the
3 return of tax for the taxable year and such taxpayer
4 identification number was issued on or before the
5 due date for filing such return.

6 “(2) TAXPAYER IDENTIFICATION REQUIRE-
7 MENT.—No credit shall be allowed under this section
8 if the taxpayer identification number of the taxpayer
9 was issued after the due date for filing the return
10 for the taxable year.

11 “(h) TAXABLE YEAR MUST BE FULL TAXABLE
12 YEAR.—Except in the case of a taxable year closed by rea-
13 son of the death of the taxpayer, no credit shall be allow-
14 able under this section in the case of a taxable year cov-
15 ering a period of less than 12 months.

16 “(i) RESTRICTIONS ON TAXPAYERS WHO IMPROP-
17 ERLY CLAIMED CREDIT IN PRIOR YEAR.—

18 “(1) TAXPAYERS MAKING PRIOR FRAUDULENT
19 OR RECKLESS CLAIMS.—

20 “(A) IN GENERAL.—No credit shall be al-
21 lowed under this section for any taxable year in
22 the disallowance period.

23 “(B) DISALLOWANCE PERIOD.—For pur-
24 poses of subparagraph (A), the disallowance pe-
25 riod is—

1 “(i) the period of 10 taxable years
2 after the most recent taxable year for
3 which there was a final determination that
4 the taxpayer’s claim of credit under this
5 section was due to fraud, and

6 “(ii) the period of 2 taxable years
7 after the most recent taxable year for
8 which there was a final determination that
9 the taxpayer’s claim of credit under this
10 section was due to reckless or intentional
11 disregard of rules and regulations (but not
12 due to fraud).

13 “(2) TAXPAYERS MAKING IMPROPER PRIOR
14 CLAIMS.—In the case of a taxpayer who is denied
15 credit under this section for any taxable year as a
16 result of the deficiency procedures under subchapter
17 B of chapter 63, no credit shall be allowed under
18 this section for any subsequent taxable year unless
19 the taxpayer provides such information as the Sec-
20 retary may require to demonstrate eligibility for
21 such credit.

22 “(j) RECONCILIATION OF CREDIT AND ADVANCE
23 CREDIT.—

24 “(1) IN GENERAL.—The amount of the credit
25 allowed under this section to any taxpayer for any

1 taxable year shall be reduced (but not below zero) by
2 the aggregate amount of payments made under sec-
3 tion 7527A to such taxpayer during such taxable
4 year.

5 “(2) EXCESS ADVANCE PAYMENTS.—If the ag-
6 gregate amount of payments under section 7527A to
7 the taxpayer during the taxable year exceeds the
8 amount of the credit allowed under this section to
9 such taxpayer for such taxable year (determined
10 without regard to paragraph (1)), the tax imposed
11 by this chapter for such taxable year shall be in-
12 creased by the amount of such excess.”.

13 (c) ADVANCE PAYMENT OF CREDIT.—Chapter 77 of
14 the Internal Revenue Code of 1986 is amended by insert-
15 ing after section 7527 the following new section:

16 **“SEC. 7527A. ADVANCE PAYMENT OF CHILD TAX CREDIT.**

17 “(a) IN GENERAL.—As soon as practicable after the
18 date of the enactment of this section, the Secretary shall
19 establish a program for making monthly payments to tax-
20 payers which, in the aggregate during any calendar year,
21 equal the annual advance amount determined with respect
22 to such taxpayer for such calendar year.

23 “(b) ANNUAL ADVANCE AMOUNT.—For purposes of
24 this section—

1 “(1) IN GENERAL.—Except as otherwise pro-
2 vided in this subsection, the term ‘annual advance
3 amount’ means, with respect to any taxpayer for any
4 calendar year, the amount of the credit which would
5 be allowed to such taxpayer under section 36C(a)
6 (determined without regard to subsection (j) thereof)
7 for the taxpayer’s taxable year beginning in such
8 calendar year if—

9 “(A) the taxpayer’s modified adjusted
10 gross income for such taxable year were equal
11 to the taxpayer’s modified adjusted gross in-
12 come for the reference taxable year,

13 “(B) the only qualifying children of such
14 taxpayer are qualifying children properly
15 claimed on the taxpayer’s return of tax for the
16 reference taxable year, and

17 “(C) the age of such qualifying children is
18 determined for such taxable year by taking into
19 account the passage of time since the reference
20 taxable year.

21 “(2) REFERENCE TAXABLE YEAR.—Except as
22 provided in paragraph (3)(A), the term ‘reference
23 taxable year’ means, with respect to any taxpayer
24 for any calendar year, the taxpayer’s taxable year
25 beginning in the preceding calendar year or, in the

1 case of taxpayer who did not file a return of tax for
2 such taxable year, the taxpayer's taxable year begin-
3 ning in the second preceding calendar year.

4 “(3) MODIFICATIONS DURING CALENDAR
5 YEAR.—The Secretary may modify, during any cal-
6 endar year, the annual advance amount with respect
7 to any taxpayer for such calendar year to take into
8 account—

9 “(A) a return of tax filed by such taxpayer
10 during such calendar year (and the taxable year
11 to which such return relates may be taken into
12 account as the reference taxable year), and

13 “(B) any other information provided by
14 the taxpayer to the Secretary which allows the
15 Secretary to determine payments under sub-
16 section (a) which, in the aggregate during any
17 taxable year of the taxpayer, more closely total
18 the Secretary's best estimate of the credit al-
19 lowed to the taxpayer under section 36C(a) (de-
20 termined without regard to subsection (i) there-
21 of) for such taxable year.

22 “(c) ON-LINE INFORMATION PORTAL.—The Sec-
23 retary shall establish an on-line portal which allows tax-
24 payers to—

1 “(1) elect not to receive payments under this
2 section,

3 “(2) provide information to the Secretary which
4 would be relevant to a modification under subsection
5 (b)(3)(B) of the annual advance amount, including
6 information regarding—

7 “(A) a change in the number of the tax-
8 payer’s qualifying children, including by reason
9 of the birth of a child,

10 “(B) a change in the taxpayer’s marital
11 status,

12 “(C) a significant change in the taxpayer’s
13 modified adjusted gross income, and

14 “(D) any other factor which the Secretary
15 may provide.

16 “(d) NOTICE OF PAYMENTS.—Not later than Janu-
17 ary 31 of the calendar year following any calendar year
18 during which the Secretary makes one or more payments
19 to any taxpayer under this section, the Secretary shall pro-
20 vide such taxpayer with a written notice which includes
21 the taxpayer’s taxpayer identity (as defined in section
22 6103(b)(6)), the aggregate amount of such payments
23 made to such taxpayer during such calendar year, and
24 such other information as the Secretary determines appro-
25 pate.

1 “(e) AUTHORITY TO ADJUST INTERVAL OF PAY-
2 MENTS.—If the Secretary determines that it is not admin-
3 istratively feasible to make monthly payments under this
4 section, such payments shall be made on the basis of the
5 shortest interval which the Secretary determines is admin-
6 istratively feasible.”.

7 (d) CONFORMING AMENDMENTS.—

8 (1) The table of sections for subpart A of part
9 IV of subchapter A of chapter 1 of subtitle A of the
10 Internal Revenue Code of 1986 is amended by strik-
11 ing the item relating to section 24.

12 (2) The table of sections for subpart C of part
13 IV of subchapter A of chapter 1 of subtitle A of
14 such Code is amended by inserting after the item re-
15 lating to section 36B the following:

“Sec. 36C. Child tax credit.”.

16 (3) The table of sections for chapter 77 of such
17 Code is amended by inserting after the item relating
18 to section 7527 the following new item:

“Sec. 7527A. Advance payment of child tax credit.”.

19 (4) Subparagraph (B) of section 45R(f)(3) of
20 such Code is amended to read as follows:

21 “(B) SPECIAL RULE.—Any amounts paid
22 pursuant to an agreement under section 3121(l)
23 (relating to agreements entered into by Amer-
24 ican employers with respect to foreign affiliates)

1 which are equivalent to the taxes referred to in
2 subparagraph (A) shall be treated as taxes re-
3 ferred to in such subparagraph.”.

4 (5) Section 152(f)(6)(B)(ii) of such Code is
5 amended by striking “section 24” and inserting
6 “section 36C”.

7 (6) Paragraph (26) of section 501(c) of such
8 Code is amended in the flush matter at the end by
9 striking “section 24(c))” and inserting “section
10 36C(c))”.

11 (7) Section 6211(b)(4)(A) of such Code is
12 amended—

13 (A) by striking “24(d),” and

14 (B) by inserting “36C(a),” after “36B,”.

15 (8) Section 6213(g)(2) of such Code is amend-
16 ed—

17 (A) in subparagraph (I), by striking “sec-
18 tion 24(e)” and inserting “section 36C(g)”, and

19 (B) in subparagraph (L), by striking “24,
20 or 32” and inserting “32, or 36C”.

21 (9) Paragraph (2) of section 1324(b) of title
22 31, United States Code, is amended by inserting
23 “36C,” after “36B,”.

1 (e) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 December 31, 2020.

4 **SEC. 3. PAYMENTS TO POSSESSIONS.**

5 (a) MIRROR CODE POSSESSION.—The Secretary of
6 the Treasury shall pay to each possession of the United
7 States with a mirror code tax system amounts equal to
8 the loss to that possession by reason of the application
9 of section 36C of the Internal Revenue Code of 1986 (as
10 added by section 2) with respect to taxable years begin-
11 ning after 2020. Such amounts shall be determined by the
12 Secretary of the Treasury based on information provided
13 by the government of the respective possession.

14 (b) OTHER POSSESSIONS.—The Secretary of the
15 Treasury shall pay to each possession of the United States
16 which does not have a mirror code tax system amounts
17 estimated by the Secretary of the Treasury as being equal
18 to the aggregate benefits that would have been provided
19 to residents of such possession by reason of the application
20 of section 36C of such Code (as so added) for taxable
21 years beginning after 2020 if a mirror code tax system
22 had been in effect in such possession. The preceding sen-
23 tence shall not apply with respect to any possession of the
24 United States unless such possession has a plan, which
25 has been approved by the Secretary of the Treasury, under

1 which such possession will promptly distribute such pay-
2 ments to the residents of such possession.

3 (c) COORDINATION WITH CREDIT ALLOWED
4 AGAINST UNITED STATES INCOME TAXES.—No credit
5 shall be allowed against United States income taxes for
6 any taxable year under section 36C of the Internal Rev-
7 enue Code of 1986 (as so added) to any person—

8 (1) to whom a credit is allowed against taxes
9 imposed by the possession by reason of the amend-
10 ments made by this section for such taxable year, or

11 (2) who is eligible for a payment under a plan
12 described in subsection (b) with respect to such tax-
13 able year.

14 (d) DEFINITIONS AND SPECIAL RULES.—

15 (1) POSSESSION OF THE UNITED STATES.—For
16 purposes of this section, the term “possession of the
17 United States” includes the Commonwealth of Puer-
18 to Rico and the Commonwealth of the Northern
19 Mariana Islands.

20 (2) MIRROR CODE TAX SYSTEM.—For purposes
21 of this section, the term “mirror code tax system”
22 means, with respect to any possession of the United
23 States, the income tax system of such possession if
24 the income tax liability of the residents of such pos-
25 session under such system is determined by ref-

1 erence to the income tax laws of the United States
2 as if such possession were the United States.

3 (3) TREATMENT OF PAYMENTS.—For purposes
4 of section 1324(b)(2) of title 31, United States
5 Code, the payments under this section shall be treat-
6 ed in the same manner as a refund due from the
7 credit allowed under section 36C of the Internal
8 Revenue Code of 1986.